

This Listing Statement is compiled by the Exchange from documents filed by the Company in making application for listing. It is issued for the information of members, member firms and member corporations of the Exchange. It is not and is not to be construed as a prospectus. The Exchange has received no consideration in connection with the issue of this Listing Statement other than the customary listing fee. The documents referred to above are open for inspection at the general office of the Exchange.

LISTING STATEMENT NO. 2444.

LISTED MARCH 18, 1970.
5,000,000 shares without par value.
Stock Symbol "HCO".
Post Section 3.1.
Dial Quotation No. 2370.

THE TORONTO STOCK EXCHANGE

LISTING STATEMENT

HOUSTON OILS LIMITED

Incorporated under The Companies Act (Alberta) by Certificate of Incorporation dated May 21, 1951

1. Address of the Company's Head Office and of any other offices:
1690 Elveden House, 717-7th Avenue S.W., Calgary, Alberta.

2. Officers of the Company:

Office Held	Name	Address	Occupation
President	Albert Edward Whitehead, Jr.	1424 Chardie Place S.W. Calgary	Executive
Vice-President	Darrell Robinson Long	4607-88th Avenue N.E. Calgary	Geologist
Secretary	James Arthur Millard	311-920-68th Avenue Calgary	Barrister
Treasurer	Thomas Michael McGuckie Bender	4719 Nordegg Crescent N.W. Calgary	Accountant

3. Directors of the Company:

Name	Address	Occupation
Albert Edward Whitehead, Jr.	1424 Chardie Place S.W., Calgary	Executive
James Arthur Millard	311-920-68th Avenue S.W., Calgary	Barrister
Louis Marx, Sr.	99 Weaver Street, Scarsdale, New York	Executive
William Andrew Clarke	1350 Hillhurst Road, Oakville, Ontario	Investment Dealer
Charles Franklin Agar	3408 Liddell Court S.W., Calgary	Executive

4. Names and addresses of all transfer agents:

The Canada Trust Company, principal transfer offices in Vancouver, Calgary, Toronto and Montreal.

5. Particulars of any fee charged upon transfer other than customary government taxes:

Transfer fee of 50¢ for every share certificate issued upon transfer.

6. Names and addresses of all registrars:

The Canada Trust Company, principal transfer offices in Vancouver, Calgary, Toronto and Montreal.

7. Amount of authorized capital: \$5,000,000.

8. Number of shares and par value: 5,000,000 shares without nominal or par value.

9. Full details of all shares issued in payment for properties or for any other assets other than cash:

Date	Number of Shares	Brief description of the properties or other assets and the aggregate consideration therefor, expressed in cash, shares, etc.
April 1, 1969	50,000	0.3125% overriding royalty (50,896 acres) Alaska North Slope
April 5, 1969	55,000	0.50% overriding royalty (9,867,962 acres) Canadian Arctic
May 11, 1969	60,000	4.5882% of BLK Q-11 (40,000 gross acres) Dutch North Sea
Total	165,000	

10. Full details of all shares sold for cash:

Reference is hereby made to the prospectus (hereinafter called the "Prospectus") issued by the Company under date of December 1, 1969, with respect to the sale to the public of 600,000 shares without nominal or par value and 200,000 Share Purchase Warrants each in respect of 1 Share each, offered in units of 3 Shares and 1 Share Purchase Warrant, a copy of which Prospectus is attached hereto and is hereby incorporated in this application and made a part hereof. Specific reference is made for answer to this question 10 to Page 22 of the Prospectus, "Prior Sales of Shares", and to Page 3 of the Prospectus, "the Company".

11. Total number of shares issued: 1,995,000.

12. Number of shares now in treasury or otherwise unissued: 3,005,000.

13. Particulars of any issued shares held in trust for the Company or donated for treasury purposes:

14. Date of last annual meeting: Prior to June 30, 1969, Houston Oils Limited was a private company.

15. Date of last report to shareholders:

The Company made no reports to its shareholders as a private company.

16. Details of any treasury shares (or shares issued subject to payment or shares held for the benefit of the treasury) now under option or the subject of any underwriting or sales agreement. If none, this to be stated.	See Prospectus Page 18, "Plan of Distribution" and "Options".
17. Names and addresses of persons having any interest, direct or indirect, in underwritten or optioned shares or other securities or assignments, present or proposed.	See Prospectus Page 18, "Plan of Distribution".
18. Details of any payments in cash or securities of the Company made or to be made to a promoter or finder in connection with a proposed underwriting or property acquisition.	None, but see face page of Prospectus.
19. Details of any shares pooled, deposited in escrow, non-transferable or held under any voting trust agreement, syndicate agreement or control.	See Prospectus Page 21 "Escrowed Shares".
20. Names and addresses of owners of more than a 5% interest in pooled or escrowed shares and their shareholdings. (If shares are registered in the names of nominees or in street names, give names of beneficial owners, if possible.)	Pentagon Petroleum, Inc. 767-5th Avenue New York, New York Albert E. Whitehead, Jr. 1424 Chardie Place S.W. Calgary, Alberta

<p>21. Names, addresses and shareholdings of five largest registered shareholders and if shareholdings are pooled or escrowed, so stating. If shares are registered in names of nominees or in street names, give names of beneficial owners, if possible, and if names are not those of beneficial owners, so state.</p>	<ol style="list-style-type: none"> 1. Pentagon Petroleum, Inc. 2. Albert E. Whitehead, Jr. 3. Dan W. Lufkin c/o Donaldson, Lufkin & Jenrette, 140 Broadway New York, New York 4. Louis Marx, Jr. 767-5th Avenue, New York, New York 5. Victor E. Trudel 1303-70th Avenue S.W., Calgary 								
<p>22. Names and addresses of persons whose shareholdings are large enough to materially affect control of the Company.</p>	<ol style="list-style-type: none"> 1. Pentagon Petroleum, Inc. 767-5th Avenue, New York, New York 2. Albert E. Whitehead, Jr. 1424 Chardie Place S.W., Calgary, Alberta 								
<p>23. Details of any registration with or approval or authority for sale granted by or any filing with a Securities Commission or corresponding Government body.</p>	<p>Prospectus (attached) dated December 1, 1969, filed with British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Québec, New Brunswick, Nova Scotia, and Prince Edward Island Securities Commissions, the last receipts for filing having been received on December 10, 1969.</p>								
<p>24. Has any application for registration with or approval or authority for sale by or any filing with a Securities Commission or corresponding Government body ever been refused, cancelled, suspended or revoked? If so, give particulars.</p>	<p>No.</p>								
<p>25. Particulars of any bonds, debentures, notes, mortgages, charges, liens or hypothecations outstanding.</p>	<p>None.</p>								
<p>26. If assets include investments in the shares or other securities of other companies, give an itemized statement thereof showing cost or book value and present market value.</p>	<table> <tr> <td>Acroll Oil & Gas Ltd.</td> <td>92 shares released</td> </tr> <tr> <td></td> <td>723 shares escrow</td> </tr> <tr> <td></td> <td><hr/>815 shares — Market Value \$2.15</td> </tr> <tr> <td colspan="2">Book Value — \$229.25.</td> </tr> </table>	Acroll Oil & Gas Ltd.	92 shares released		723 shares escrow		<hr/> 815 shares — Market Value \$2.15	Book Value — \$229.25.	
Acroll Oil & Gas Ltd.	92 shares released								
	723 shares escrow								
	<hr/> 815 shares — Market Value \$2.15								
Book Value — \$229.25.									
<p>27. Enumerate fully each of the following property classifications, giving claim or property numbers, approximate acreage, townships and mining camp or oil field:</p> <p>(a) Properties owned where titles vested in Company.</p> <p>(b) Properties leased.</p> <p>(c) Properties otherwise held.</p>	<p>(a) The Company owns a ½ interest in all Mines and Minerals (other than gold, silver, coal and valuable stone) in the N½ 21-52-14 W4. This mineral interest is held by the Company under Title No. 119-S-216 (Registered in Northern Alberta Land Registration District as Number 4095 Book O.P. Folio 125).</p> <p>(b) & (c) See Prospectus Pages 3 to 7 "Oil and Gas Properties".</p>								
<p>28. Full particulars of any royalties or other charges payable upon production from each individual property.</p>	<p>See Prospectus Pages 3 to 7 "Oil and Gas Properties".</p>								

29. Names and addresses of vendors of any property or other assets intended to be purchased by the Company showing the consideration to be paid.	None.
30. Names and addresses of persons who have received or will receive a greater than 5% interest in the shares or other consideration to be received by the vendor. If the vendor is a limited company, the names and addresses of persons having a greater than 5% interest in the vendor company.	None.
31. Are any lawsuits pending or in process against the Company or any of its properties, or are there any other circumstances which might affect the Company's position or title adversely? If so explain fully.	No.
32. Describe plant and equipment on property or properties.	Equipment on producing properties consists of pump-jacks and motors, tubing, rods, bottom hole pumps, flow lines, tank batteries, separators and treators. In some cases well-head equipment is enclosed by small motor houses. This description of equipment would relate to most of our producing wells. In some cases a single treator is used for several wells.
33. Describe all development accomplished and planned.	From October 1, 1963, until December 31, 1969, Houston participated in the drilling of 88 wells. Of this number 32 resulted in oil or gas wells. Houston plans to continue development of its proven reserves in the Plato Field, Saskatchewan. It also has plans for exploratory drilling on numerous prospects. Houston will participate in approximately 25 development and exploratory wells within the next three months. It plans to carry out a continuous drilling program which will result in the drilling or participating in approximately 40 to 50 wells during the next 12 to 15 months.
34. Date and author of mining or petroleum engineer's or geologist's report filed with this application and available for inspection on request.	Engineering Report prepared by James A. Lewis Engineering Co. Ltd. and dated September 15, 1969.
35. Full particulars of production to date.	See Prospectus Page 4 "Crude Oil Production".
36. Have any dividends been paid? If so, give date, per share rate, and amount paid in dollars on each distribution.	See Prospectus Page 17 "Dividend Record".
37. Name and address of the solicitor or attorney whose certificate that the applicant is a valid and subsisting company and that the shares which have been allotted and issued were legally created and are fully paid and non-assessable has been filed with the Exchange.	James Arthur Millard MacKimmie Matthews 6th Floor, 240-4th Avenue S.W. Calgary, Alberta
38. (a) Have any shares of the Company ever been listed on any other stock exchange? If so, give particulars. (b) Is any application for listing the shares of the Company on any other stock exchange now pending or contemplated? If so, give particulars.	(a) No. (b) An application for listing on the Canadian Stock Exchange is being prepared for submission in compliance with the requirements of the Québec Securities Commission.

38. Continued	
(c) Has any application for listing of any shares of the Company ever been refused or deferred by any stock exchange? If so, give particulars.	(c) No.
39. Particulars of the principal business in which each officer and director has been engaged during the past five years, giving the length of time, position held and name of employing company or firm.	See Prospectus Page 19 "Management".
40. The dates of and parties to and the general nature of every material contract entered into by the Company which is still in effect and is not disclosed in the foregoing.	See Prospectus Page 22 "Material Contracts".
41. Any other material facts not disclosed in the foregoing.	None.

42. STATEMENT SHOWING DISTRIBUTION OF ISSUED CAPITAL

as of February 26, 1970

FREE STOCK	<u>Shares</u>	<u>Shares</u>
(a) Distributed and in the hands of the public (exclusive of the promoters, officers and directors of the Company and their agents or trustees).	750,543	
(b) Distributed and in the hands of the promoters, officers and directors of the Company and their agents or trustees	544,457	
Total free stock		1,295,000
ESCROWED OR POOLED STOCK		
(c) Held in escrow or pool as set out in Item 19 of this application	700,000	
Total issued capital		<u>1,995,000</u>

RECORD OF SHAREHOLDERS

Number of registered shareholders holding shares in class (a) above	1,335
Number of registered shareholders holding shares in class (b) above	9
Number of registered shareholders holding shares in class (c) above	2

43. STATEMENT SHOWING NUMBER OF SHAREHOLDERS

as of February 26, 1970

<u>Number</u>		<u>Shares</u>
270	Holders of 1 — 99 shares	20,636
818	" " 100 — 499 "	171,335
124	" " 500 — 999 "	69,211
66	" " 1000 — 1999 "	75,285
25	" " 2000 — 2999 "	54,700
6	" " 3000 — 3999 "	18,950
10	" " 4000 — 4999 "	40,800
27	" " 5000 — up "	1,544,083
<u>1,346</u>	Stockholders	<u>1,995,000</u>
	Total Shares	<u>1,995,000</u>

Dated at Calgary, Alberta, the 3rd day of March, 1970.



HOUSTON OILS LIMITED

"A. E. WHITEHEAD",
President

"J. A. MILLARD",
Secretary

CERTIFICATE OF UNDERWRITER/OPTIONEE

(NOTE—Not applicable with respect to incentive or employee options.)

To the best of my knowledge, information and belief, all of the statements and representations made in this listing application and in the documents filed in support thereof are true and correct.

GAIRDNER & COMPANY LIMITED

By

"E. A. LOVELACE"

A copy of this prospectus has been filed with the Registrar of Companies of the Province of Alberta.
No Securities Commission or similar authority in Canada has in any way passed upon the merits of the securities offered hereunder and any representation to the contrary is an offence. These securities are offered by this prospectus only in jurisdictions where these securities may be lawfully offered.

New Issues

Houston Oils Limited

(Incorporated under the laws of the Province of Alberta)

600,000 Shares

(without nominal or par value)

and

200,000 Share Purchase Warrants

(for 1 Share each)

Offered in Units of 3 Shares and 1 Share Purchase Warrant

	Price to Public	Underwriting Discount (2)	Proceeds to Company (1)
Per Unit of 3 shares and 1 Share Purchase Warrant	\$10.00	\$0.75	\$9.25
Total	\$2,000,000	\$150,000	\$1,850,000

(1) Before deduction of expenses estimated at \$40,000.

(2) As described under the heading "Plan of Distribution" on page 18 of this prospectus, the Underwriter will purchase 300,000 Share Purchase Warrants, of which 200,000 are being offered to the public by this prospectus.

SHARE PURCHASE WARRANTS

Each Share Purchase Warrant will entitle the holder thereof to purchase one share without nominal or par value in the capital of the Company, as to be constituted upon issuance of the 600,000 shares offered hereby, at a price of \$3.50 per share, at any time up to 4:30 p.m. local time at the place of exercise on December 15, 1972. After December 15, 1972 all Share Purchase Warrants not exercised will be void.

THESE SECURITIES ARE SPECULATIVE. The purpose of this issue is to provide funds for the acquisition, exploration and development of oil and gas properties. Reference is made to the heading "Operations of the Company" and "Dilution" on pages 3 and 18 respectively.

There is no market for the securities offered by this prospectus. The price was determined by negotiation between the Company and the Underwriter.

We, as principals, offer these Units subject to prior sale if, as and when issued and accepted by us and subject to the approval of all legal matters on our behalf by Messrs. Fraser & Beatty of Toronto, and on behalf of the Company by Messrs. MacKimmie Matthews of Calgary, upon whose opinion our counsel will rely in respect of certain matters and who in turn may rely upon opinions of local counsel.

Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. It is expected that definitive share certificates and Share Purchase Warrants will be available for delivery in Vancouver, Calgary, Toronto and Montreal on or about December 17, 1969.

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THE COMPANY

Houston Oils Limited (hereinafter sometimes referred to as "Houston") was incorporated on May 21, 1951 by Certificate of Incorporation under The Companies Act (Alberta) as a private company with an authorized capital of 20,000 shares with a par value of \$1 each. Subsequently, by special resolution of the shareholders of Houston which became effective on January 27, 1969, the provisions of the Memorandum of Association of Houston were amended so as to convert its authorized capital into shares without nominal or par value, to subdivide the issued and unissued shares (so that 15 issued shares were subdivided into 600,000 issued shares) and to increase its capital so that the authorized capital of Houston now consists of 5,000,000 shares without nominal or par value to be issued for a maximum price or consideration not exceeding in the aggregate the sum of \$5,000,000. By Certificate of the Registrar of Companies dated June 30, 1969, Houston was converted into a public company.

The head and principal office of Houston is located at 1690 Elveden House, 717—7th Avenue, S.W., Calgary 2, Alberta.

The Company's wholly-owned subsidiary, Bridger Petroleum Corporation (hereinafter sometimes referred to as "Bridger") was incorporated under the laws of the State of Wyoming by Articles of Incorporation dated December 23, 1968, and is registered to conduct its business in the States of Alaska, Montana, North Dakota, South Dakota and Wyoming.

Houston and Bridger are hereinafter sometimes collectively referred to as the "Company".

OPERATIONS OF THE COMPANY

The Company is engaged in exploration for and development of petroleum and natural gas in various parts of Canada, including the Arctic Islands area, the Dutch North Sea area, Alaska, Montana, North Dakota, South Dakota, and Wyoming. The Company has an interest in several Mineral Prospecting Permits covering lands in northern Saskatchewan, the Northwest Territories and offshore Alaska.

The Company intends to continue development of its proved oil and gas properties and exploration of presently held acreage and lands to be acquired in new areas. The Company's general operating policy will be to research and to locate drillable prospects, and to acquire leases, farm-ins and option agreements covering these prospects. Dependent on the nature of the risks involved in exploring the prospects and the potential magnitude of reserves which might be found, the Company anticipates selling undivided interests (expected not to exceed 50%) in the prospects or acquiring partners to share in the cost of the exploration program. Due to the anticipated high cost of initial exploration and drilling in the Arctic Islands and the Offshore East Coast of Canada, management will attempt to have exploration in these areas conducted by larger companies within the industry.

OIL AND GAS PROPERTIES

Producing Properties

In the Province of Saskatchewan the Company has a working interest in 22 producing oil wells, of which 11 are located in the Plato Field, 2 are located in the Avon Hill Field, 5 are located in the Dodsland Field and 4 are located in the West Fosterton Field. The Company also has an overriding royalty interest in 11 producing oil wells in the Province of Saskatchewan of which 4 are located in the South Eureka Field and 7 are located in the Plato Field.

Of these 33 oil wells, 4 are operated under plans of unit operation, where a single company operates all of the wells in the unit area, and the Company, along with other members of the unit, receives its participating share of the net income from the entire unit production and similarly pays its participating share of the cost of operating the wells located within the entire unit area. The unitized field in which the Company has an interest is West Fosterton.

The following table summarizes the number of producing oil wells in which the Company has an interest. In the West Fosterton Unit only the 4 wells located on Company lands within such unit have been included, although the entire unit contains 9 producing oil wells.

Location	Type of Ownership	Interests of the Company	
		In Gross or Total Wells	Expressed as Net Wells
Saskatchewan.....	Working Interest	22	4.628
Saskatchewan.....	Overriding Royalty	11	N/A
		33	4.628

The Company also has a 25% working interest in one shut-in oil well in the Senlac Area of Saskatchewan. Because of the low gravity of the oil in this well and the long distance to pipeline facilities the Company does not plan to produce this well in the immediate future. The Company also has a 75% interest in a gas well in the Aden area of Alberta. This well is located within one and one-half miles from the Canadian Montana Gas Company Limited gas gathering system and plans are being completed to deliver gas from this well late in 1969.

Crude Oil Production

The following table sets forth the annual net production, after the deduction of all royalties to others, of crude oil by the Company for the period from October 1, 1964 to June 30, 1969:

	Barrels	Net Income after Royalty and Operating Costs
1964	2,020	\$ 2,050
1965	15,413	27,980
1966	18,461	31,097
1967	20,779	32,794
1968	19,064	26,697
1969 to June 30 (9 months)	27,363	38,820

Oil and Gas Reserves

A report (the "Lewis Report") dated September 15, 1969 prepared by James A. Lewis Engineering Co. Ltd., Petroleum Reservoir Analysts, Calgary, estimated the oil and gas reserves and net revenue which will accrue to the Company from production, and a letter dated November 13, 1969 from James A. Lewis Engineering Co. Ltd. estimated the Company share of net revenue discounted at 9%, to be as follows:

		Estimated Company Share of Future Net Revenue To Be Derived From Reserves	
	Estimated Company Net Share of Remaining Reserves	Not Discounted	Discounted at 9% per Annum
OIL RESERVES			
Proved.....	490,700 Barrels	\$ 581,400	\$ 380,000
Probable.....	2,357,300 Barrels	1,218,700	502,300
Total.....	2,848,000 Barrels	\$1,800,100	\$ 882,300
GAS RESERVES			
Proved.....	5,278,400 Mcf.	\$ 669,800	\$ 277,100
Probable.....	—	—	—
Total.....	5,278,400 Mcf.	\$ 669,800	\$ 277,100
Total Proved and Probable.....		\$2,469,900	\$1,159,400

Note 1. "Net revenue" is gross revenue less usual costs of operation and payment of royalties.

Note 2. "Mcf" means one thousand cubic feet.

James A. Lewis Engineering Co. Ltd. have estimated the total net revenue to be derived from the proved oil and gas reserves at \$1,251,200 and the value as at September 15, 1969 (the date of the Lewis Report) of such reserves discounted at nine percent per annum at \$657,100. The Lewis Report also estimated the total net revenue which potentially may be derived from the probable oil reserves at \$1,218,700 and the value as at September 15, 1969 of such reserves discounted at nine percent per annum at \$502,300. **Although such estimates of the value of the future net revenues reflect reasonable values to the Company as a going concern for its proved and probable reserves it is considered that the fair market values of such reserves if the properties were sold would likely be lower amounts.** Since the date of the Lewis Report the Company has made dispositions and acquisitions of interests which do not, in the aggregate, materially affect the conclusions arrived at by the Lewis Report.

A copy of the Lewis Report has been filed with the Securities Commissions of British Columbia, Alberta, Saskatchewan, Manitoba and Ontario, and will be available for public inspection at the Commissions' offices and at the principal business office of the Company, while the Units offered by this prospectus are in the course of primary distribution and for thirty days thereafter. A copy of the Lewis Report has also been filed with the Quebec Securities Commission.

Non-Producing Properties

The Company has the following working interests, seismic option and net profits interests in oil and gas leases and permits in Manitoba, Saskatchewan, Alberta, British Columbia, Northwest Territories, the Arctic Islands, Hudson Bay, Canada East Coast, Alaska, Montana, North Dakota and the Netherlands:

<u>General Location</u>	<u>Type of Ownership</u>	<u>Gross Acres(1)</u>	<u>Net Acres(1)</u>	<u>Company Interest Expressed as Net Leasable Acres(1)</u>
CANADA EAST COAST				
Labrador Shelf (Offshore)	Permits	1,603,865	400,966	200,483
Baffin Island (Offshore)	Permits	1,158,884	289,721	144,860
ARCTIC ISLANDS				
McClure Strait	Permits	1,020,627	510,314	255,157
Lancaster Sound	Permits	995,528	663,685	331,842
HUDSON BAY & FOXE BASIN				
Hudson Bay	Permits	153,328	12,772	6,386
Foxe Basin	Permits	493,356	123,339	61,669
NETHERLANDS				
Dutch North Sea (Block Q-11)	Permits	40,000	1,835	1,835
MANITOBA				
Hudson Bay	Permits	689,461	22,752	11,376
Souris Hartney	Leasehold	1,200	480	480
Hudson Bay	Net Profits Interest (2)	689,461	25,303	12,151
ALBERTA				
Birch Lake East	Leasehold	640	160	160
Craigmyle North	Leasehold	3,040	468	468
Edson South	Leasehold	1,280	640	640
Canmore	Leasehold	480	480	480
Aden	Leasehold	2,234	1,715	1,715
Westlock	Leasehold	17,760	3,180	3,180
Wood River	Leasehold	161	40	40
Chilver Lake	Reservation (Seismic Option)	56,295	28,147	14,074
SASKATCHEWAN				
Bromhead	Leasehold	720	120	120
Battrum	Leasehold	1,440	228	228
Success	Leasehold	1,680	278	278
Shamrock	Permit	87,680	10,960	5,480
Plato	Leasehold	16,478	3,646	3,646
Alida	Leasehold	160	80	80
Eureka	Leasehold	560	560	560
Whitebear	Leasehold	404	50	50
BRITISH COLUMBIA				
Bowser Basin	Net Profits Interest (2)	312,758	52,137	26,068
Stoddart	Leasehold	3,200	560	560

<u>General Location</u>	<u>Type of Ownership</u>	<u>Gross Acres(1)</u>	<u>Net Acres(1)</u>	<u>Company Interest Expressed as Net Leasable Acres(1)</u>
YUKON	Net Profits Interest (2)	138,642	34,661	17,330
ALASKA				
Bristol Bay	Lease Offers (3)	104,960	26,240	26,240
Norton Sound	Lease Offers (3)	112,640	16,896	16,896
Cape Lisburne	Lease Offers (3)	27,780	4,167	4,167
Fairbanks North	Lease Offers (3)	58,880	8,832	8,832
MONTANA				
Gildford	Leasehold	12,647	6,324	6,324
Rudyard	Leasehold	4,084	4,084	4,084
North Kevin	Leasehold	1,176	1,176	1,176
Oxbow	Leasehold	3,798	914	914
Sumatra	Leasehold	2,240	638	638
Smoke Creek	Leasehold	6,049	3,025	3,025
Christina	Leasehold	14,589	14,589	14,589
Hamilton Coulee	Leasehold	480	480	480
Cedar Creek	Leasehold	400	200	200
NORTH DAKOTA				
Snake Butte	Leasehold	1,599	518	518
Towner	Leasehold	54,924	24,841	24,841
Bear Den	Leasehold	40	20	20
		<u>7,897,608</u>	<u>2,302,221</u>	<u>1,214,340</u>

NOTE 1. "Gross Acres" represents the total of the acreage interests of the Company and others in each type of ownership interest prior to conversion of permit and reservation acreage. "Net Acres" represents the interest of the Company in the gross acreage prior to conversion of permit and reservation acreage to net leasable acres. "Net Leasable Acres" represents the interest of the Company following conversion of permit and reservation acreage to lease.

NOTE 2. "Net Profits Interest" is a right to share in the monies remaining after deducting all costs of acquisition and exploratory and operating charges from gross proceeds.

NOTE 3. "Lease Offers" are applications for leases which have been filed with the Bureau of Land Management of the Department of the Interior, Fairbanks, Alaska. Leases have not been issued by the said Department. Reference is made to the heading "Status of Lease Offers" on page 7 of this prospectus.

Overriding Royalty Interests (Note 1)

<u>General Location</u>	<u>Type of Ownership</u>	<u>Gross Acres</u>	<u>Company's Interest</u>
Arctic Islands	Permits	9,867,962	0.50%
Alaska North Slope	Leasehold	50,896	0.3125%
Yukon (Old Crow River)	Permits	47,425	0.50%
British Columbia (Bowser Basin)	Permits	103,009	1.00%
Northwest Territories (Trainor Lake)	Permits	189,153	0.50%
Alberta (Ponoka)	Leasehold	640	2.50%
Alberta (Pouce Coupe South)	Leasehold	8,160	1.00%
Alberta (Vermilion)	Leasehold	19,520	0.25%
Saskatchewan (Plato)	Leasehold	960	ss (Note 2)
Saskatchewan (Success)	Leasehold	1,600	2.00%
Saskatchewan (Unity)	Permit	86,720	ss (Note 3)
		<u>10,376,045</u>	

NOTE 1. "Overriding Royalty Interest" is a contractual right to receive a portion of the production in kind or cash equivalent.

NOTE 2. Company has a 28.5% interest in a sliding scale royalty of 1/200th (5% to 15%) on oil and 10% on gas.

NOTE 3. Oil Royalty = 1.0%

Gas Royalty = one third of sliding scale royalty of 2.5% to 7.5%.

Appraisal of Exploration Acreage

The Lewis Report presents an appraisal of the exploration acreage of the Company totalling \$3,983,500. In appraising the exploration acreage values were assigned to each acreage block based on recent trades effected in the respective areas, known geological features, exploration activity and other pertinent factors such as accessibility and marketing conditions. The Lewis Report qualifies the appraised value with the statement: "No effort has been made to establish the intrinsic values of these properties from detailed geological analyses as such values would undoubtedly be highly speculative in most instances where little exploratory work has been done and would require various degrees of adjustment in order to arrive at reasonable estimates of fair market value."

Since the date of the Lewis Report the Company has made certain dispositions and acquisitions of interests. No dispositions or acquisitions of proved wells have been made. The net change in exploration acreage as at October 15, 1969 amounted to an increase of 164,044 net leasable acres.

Status of Lease Offers

There are no pending legal proceedings material to the Alaska properties of the Company. However, lands subject to the offers are included in claims contained in petitions filed at various times on behalf of certain Natives of Alaska, which claims have resulted in suspension of action on the applications by the Secretary of the Interior pending final disposition of the Native claims by Congress and revocation of Public Land Order No. 4582 promulgated in aid of the Natives land claim settlement. The Company has been advised that such Native claims have no basis in present law and that the Natives have no right to compensation in law for lands not actually occupied, unless such right is established by act of Congress.

During this period when action has been suspended on the lease offers and until leases are issued, the State of Alaska, pursuant to the Alaska Statehood Act, could become the owner in fee simple of certain or all of the lands which are the subject matter of the lease offers. The State of Alaska has made application to select the majority of the land subject to the Company's offers in the Bristol Bay area. Processing of the selection application has been suspended pending final disposition of the Native claims by Congress. In the event the lands are granted to the State of Alaska, the priority of the lease offers would continue and be recognized by the State of Alaska, under present laws, except with respect to any lands which are, within 90 days after the selection of the lands by the State of Alaska and final approval by the Secretary of the Interior, classified by the State to be competitive lands. Competitive lands are usually those lands which are in the general area of a discovery of oil or gas in commercial quantities and which the Commissioner of Natural Resources of the State of Alaska reasonably believes to be capable of production of oil or gas, and may include other lands when the Commissioner determines such classification to be in the best interests of Alaska. The Company will not participate in the drilling of any wells in the State of Alaska unless it has received leases or an interest therein in accordance with the lease offers. Any lands selected by the State of Alaska pursuant to the Alaska Statehood Act which are subject to lease must be taken by the State subject to the lease.

In connection with the foregoing paragraphs entitled Status of Lease Offers, the Company is relying upon the opinion of Messrs. Ely, Guess, Rudd & Havelock, attorneys, of Anchorage, Alaska.

OPERATIONS IN TURKEY

The Company owns 25.5% of the issued capital of Tur-Kan Petrol Ltd. (hereinafter sometimes referred to as "Tur-Kan") which was incorporated under the laws of Alberta on June 3, 1969 for the purpose of engaging in oil and natural gas exploration and development in Turkey. An additional 25.5% of the issued capital of Tur-Kan is owned by Oceania Oil Ltd. Oceania is a wholly owned subsidiary of Pan Ocean Oil Corporation which is controlled by substantial shareholders of the Company. Reference is made to item 1 under the heading "Interest of Management and Others in Material Transactions" on page 20.

Tur-Kan has been granted 3 exploration licences covering approximately 370,650 gross acres in Turkey. Further applications for additional lands have been submitted to the Government of Turkey and as at the date hereof are pending a final decision. The Company, in addition to its 25.5% equity participation in the capital of Tur-Kan, plans to assist Tur-Kan by contributing geological and land services and by interesting other companies in participation in exploratory drilling.

DRILLING AND EXPLORATION

The Company has participated in the drilling of wells in Alberta, Saskatchewan and Manitoba during the years 1964 through 1969. The number of such wells drilled during this period is as follows:

<u>For the 12 Months Ended September 30</u>	<u>Total Wells</u>	<u>Producing Oil Wells</u>	<u>Shut-In Gas Wells</u>	<u>Dry Holes</u>
1964	12	5		7
1965	19	7		12
1966	3	1		2
1967	6	1		5
1968	7	1	1	5

For the 9 months
ended June 30

1969	15	8		7
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The amounts expended by the Company on drilling and exploration activity are tabulated below:

For the 12 months ended September 30

1964	\$ 67,831
1965	116,290
1966	58,694
1967	65,680
1968	70,474

For the 9 months ended June 30

1969	127,047
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The amounts expended by the Company for acquisition of leasehold and other interests are tabulated below:

For the 12 months ended September 30

1964	\$ 11,462
1965	49,225
1966	31,027
1967	11,420
1968	15,116

For the 9 months ended June 30

1969	591,883
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MINERAL PROSPECTING PERMITS

Saskatchewan

The Company has acquired a 25 percent interest in two Saskatchewan Mineral Prospecting Permits covering a total of 346,400 acres in the William River area of Northwestern Saskatchewan. These permits were acquired from the Government of Saskatchewan in 1968 by paying the appropriate fees and rentals and by guaranteeing a minimum expenditure on a work program. The Company's share of the fees and rentals was \$1,966.96 and its share of the deposit required for the minimum expenditure for the work program was \$12,500.

The only exploration work carried out to date in connection with these permits has been an airborne gamma ray spectrometer survey conducted in the summer of 1969 and interpretation work will be carried on during the winter of 1969-1970.

Northwest Territories

The Company has acquired a 50 percent interest in two Northwest Territories Mineral Prospecting Permits covering a total of 339,890 acres in the Baker Lake area from the Minister of Indian Affairs and Northern Development. These permits were acquired in 1969 by paying the appropriate fees and by guaranteeing a minimum expenditure on a work program. The Company's share of the fees was \$25.00 and its share of the deposit required for the minimum expenditure for the work program was \$16,994.50.

The only exploration work carried out to date in connection with these permits has been an airborne gamma ray spectrometer survey conducted in the summer of 1969 and interpretation work will be carried on during the winter of 1969-1970.

The Company has an overriding royalty interest of 1% in Mineral Prospecting Permits on a further 443,320 gross acres also in the Baker Lake area.

Alaska

The Company has acquired a 100% interest in seven State of Alaska offshore Mineral Prospecting Permits covering a total of 13,049 acres in the Endicott Arm and Shelikof Strait areas. These permits were acquired from the State of Alaska for the minimum filing fees. The Company has no immediate plans to conduct exploratory work on these permits, as future activity will be governed by the results obtained by operators conducting work on the adjoining permits.

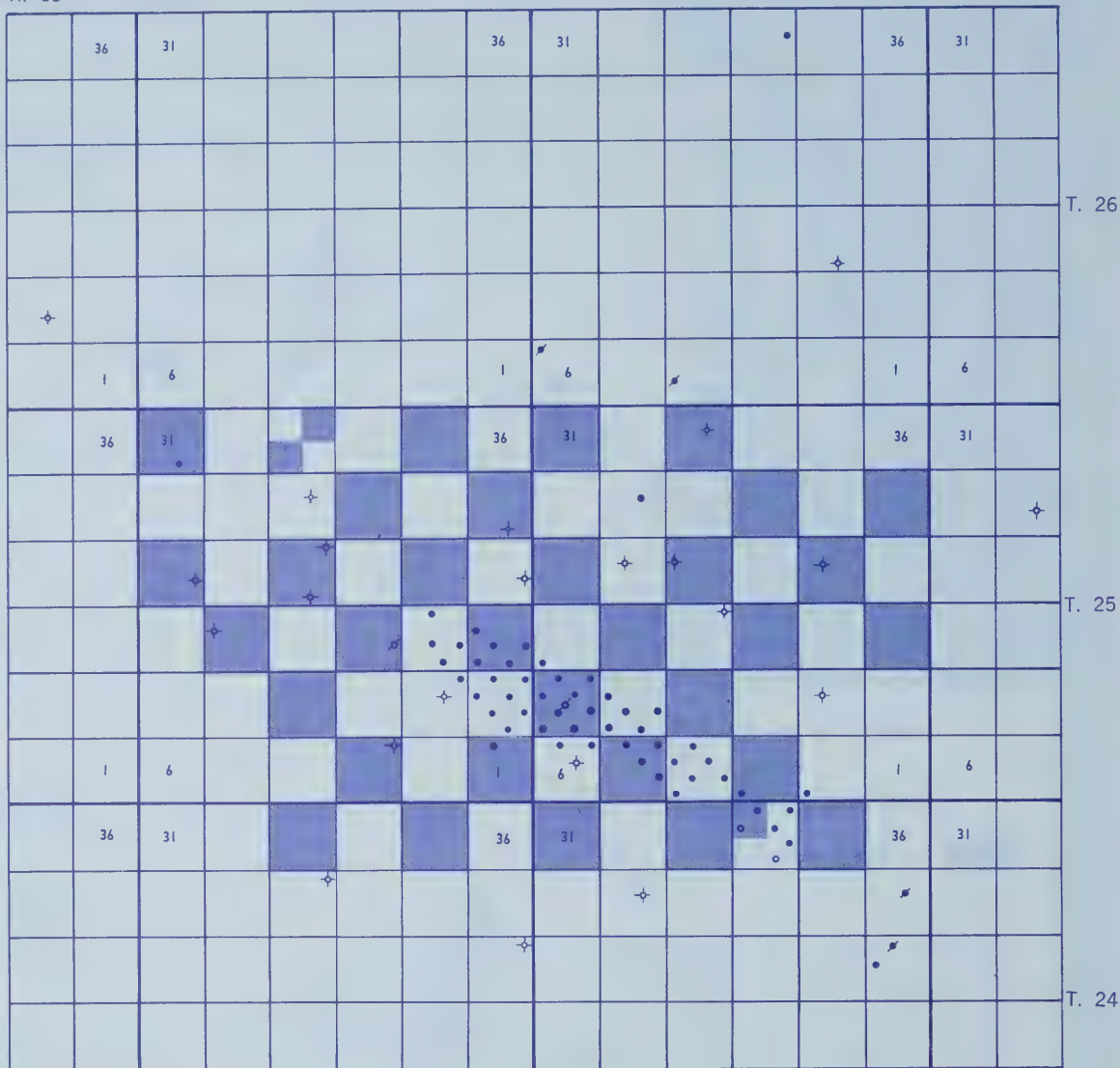
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R. 19

R. 18

R. 17W3M.

R. 16



-LEGEND-

- ✂ SUSPENDED WELL
- ◇ ABANDONED WELL
- PRODUCING OIL WELL

PLATO AREA, SASKATCHEWAN



Company Interest Lands

Note: Company interest varies from a .7 percent overriding royalty to a 28.57 percent working interest.



ALASKA AND YUKON

 COMPANY INTEREST LANDS

- 1 North Slope
- 2 Cape Lisburne
- 3 Norton Sound
- 4 Bristol Bay
- 5 Fairbanks North
- 6 Shelikof Strait
- 7 Endicott Arm
- 8 Oldcrow River

Pacific Ocean

BRITISH
COLUMBIA

ALBERTA

WASHINGTON

IDAHO

WESTERN CANADA AND NORTHWESTERN U.S.A.



Company Interest Lands

- | | |
|---------------------|-------------------|
| (1) Bowser Basin | (13) Rudyard |
| (2) Stoddart | (14) Gildford |
| (3) Westlock | (15) Christina |
| (4) Chilver Lake | (16) Sumatra |
| (5) Craigmyle | (17) Oxbow |
| (6) Aden | (18) Smoke Creek |
| (7) Senlac | (19) Snake Butte |
| (8) Plato | (20) Towner |
| (9) West Fosterton | (21) Avon Hill |
| (10) Bromhead | (22) Trainor Lake |
| (11) William River | (23) Baker Lake |
| (12) Kevin-Sunburst | (24) Hudson Bay |



Oil Field



Gas Field

22

1

2

4

NORTHWEST TERRITORIES

Hudson Bay

SASKATCHEWAN

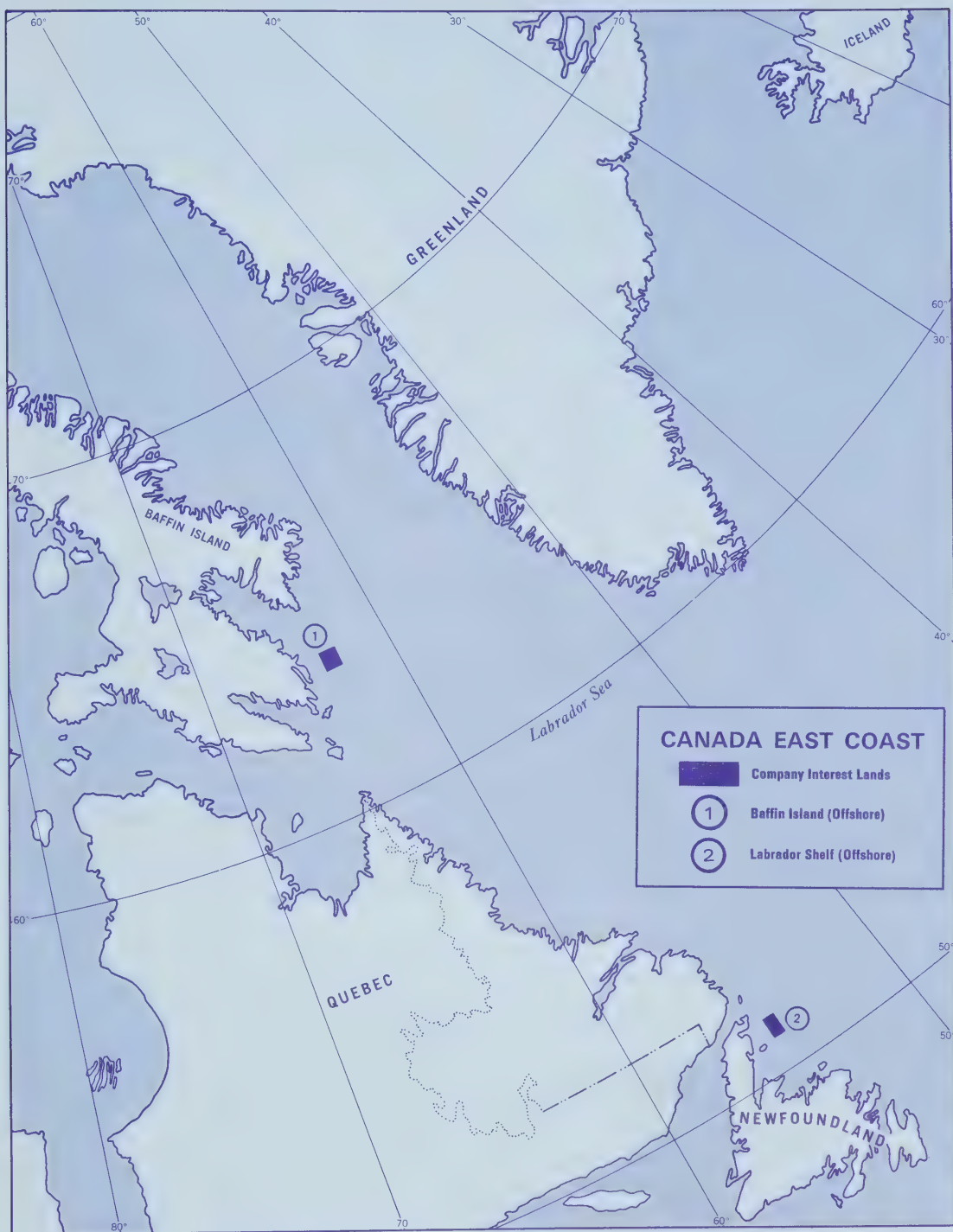
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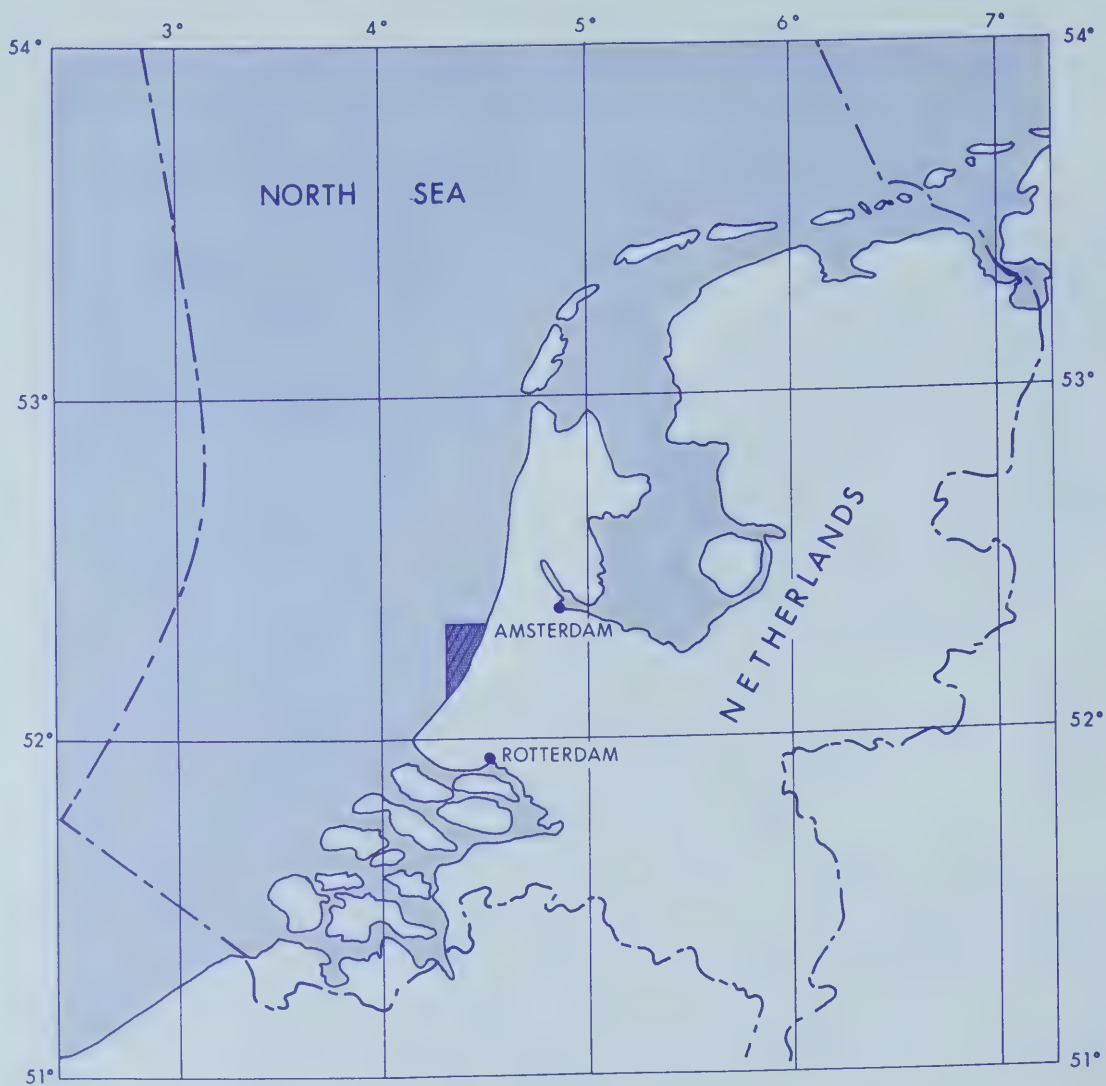
N. DAKOTA

ONTANA









DUTCH NORTH SEA



COMPANY INTEREST LANDS

DESCRIPTION OF SHARES

The Company has only one class of shares. The shares have no nominal or par value and the holders thereof are entitled to one vote at all meetings of the shareholders for each share held. The shareholders are entitled to dividends as and when declared by the Board of Directors and to participate equally share for share on liquidation or distribution. No pre-emptive rights are attached to the shares. The outstanding shares and the shares hereby offered are and will be fully paid and non-assessable. The provisions relating to the shares may only be modified in accordance with the relevant provisions of The Companies Act of Alberta and the Articles of Association of the Company.

CAPITALIZATION

	<u>Authorized</u>	<u>Outstanding as at June 30, 1969</u>	<u>Outstanding as at Sept. 30, 1969</u>	<u>To Be Outstanding on Completion of this Financing</u>
Bank loan (1).....		\$25,971	\$5,756	Nil
Shares without nominal or par value (2).....	5,000,000 shs.	1,395,000 shs. (\$854,941)	1,395,000 shs. (\$854,941)	1,995,000 shs. (\$2,704,941)

- (1) Current loan secured by a general assignment of accounts receivable and an assignment made pursuant to Section 82 of the Bank Act.
- (2) 300,000 shares will be reserved against the exercise of Share Purchase Warrants at an exercise price of \$3.50 per share. Reference is made to the headings "Plan of Distribution" and "Description of Share Purchase Warrants" on pages 18 and 17 respectively of this prospectus. An additional 50,000 shares are reserved against granting of stock options. Reference is made to the heading "Options" on page 18 of this prospectus.

DIVIDEND RECORD

The Company has paid dividends on its shares as follows:

<u>Year</u>	<u>Total Dividend</u>	<u>Amount per share</u>
1965	\$16,000	\$0.0267
1966	10,000	0.0167
1967	8,000	0.0133

The per share dividends are adjusted to reflect the subdivision of the outstanding shares from 15 shares to 600,000 shares by special resolution of the shareholders which became effective on January 27, 1969.

It is expected that the Company will retain a substantial portion of its future earnings to expand further its operations.

DESCRIPTION OF SHARE PURCHASE WARRANTS

The Share Purchase Warrants will be issued in bearer form and will entitle the bearers thereof to purchase shares without nominal or par value in the capital of the Company as to be constituted upon issuance of the 600,000 shares offered hereby at a price of \$3.50 per share at any time up to 4.30 p.m. local time at the place of exercise on December 15, 1972. After December 15, 1972 all Share Purchase Warrants not exercised will be void.

The Share Purchase Warrants will be issued under an Indenture (the "Warrant Indenture") to be dated as of November 15, 1969 between the Company and The Canada Trust Company, as Trustee. The Warrant Indenture will contain provisions for giving notice to bearers of Share Purchase Warrants in certain events and for adjustment of the number and/or class of shares issuable upon the exercise of such Warrants in certain events, including consolidations, subdivisions and reclassifications of shares. The Warrant Indenture will also contain provision for adjustment of the exercise price in certain events including the issuance of shares of the Company below the exercise price in effect at the time of such issue and the issue of shares by way of stock dividend. Provision will also be made in the Warrant Indenture for adjustment of the exercise price in the event of any capital reorganization or the amalgamation, consolidation or merger of the Company with or into another corporation. The Company will covenant in the Warrant Indenture that it will at all times reserve sufficient unissued shares to satisfy the exercise right of the Share Purchase Warrants.

The rights of the holders of the Share Purchase Warrants may be modified. For that purpose, among others, the Warrant Indenture will contain provisions for the holding of meetings of the holders of Share Purchase Warrants and for rendering resolutions passed at such meetings by the holders of a specified

majority of the Share Purchase Warrants represented and voted at the meeting binding upon all holders of Share Purchase Warrants. Notice of such meetings may be given by publication.

Reference is made to the Warrant Indenture for a complete description of the terms applicable to the Share Purchase Warrants.

PLAN OF DISTRIBUTION

Pursuant to an agreement dated December 1, 1969 (the "Underwriting Agreement") the Company has agreed to sell and Gairdner & Company Limited (the "Underwriter"), whose address is 53rd Floor, Toronto-Dominion Centre, Toronto, Ontario has agreed to purchase 600,000 shares in the capital of the Company and 300,000 Share Purchase Warrants on or about December 17, 1969 but not later than January 7, 1970. The Underwriter has agreed to offer the said shares and 200,000 of the said Share Purchase Warrants to the public in Units, each Unit consisting of 3 shares and 1 Share Purchase Warrant. 50,000 of the 100,000 Share Purchase Warrants purchased by the Underwriter and not offered hereby will be distributed pro rata in proportion to their respective participations to members of the Banking Group who will sell the securities offered by this prospectus. The Underwriter will be a participant in the Banking Group. The 100,000 Share Purchase Warrants to be purchased by the Underwriter and not offered for sale to the public by this prospectus will, under applicable securities legislation, be deemed not to have been distributed to the public and consequently on any sale of the said Warrants or of any shares issued upon exercise thereof applicable securities legislation will have to be complied with.

The Underwriting Agreement provides that the purchase price is payable in cash against delivery of the said 600,000 shares and 300,000 Share Purchase Warrants and upon and subject to the terms and conditions set out therein. In certain circumstances as set forth in the Underwriting Agreement, the Underwriter has the right to withdraw from its obligation to purchase the said 600,000 shares and 300,000 Share Purchase Warrants but in no event may it purchase part only of such securities.

USE OF PROCEEDS

The net proceeds from the sale to the Underwriter of the 600,000 shares and 300,000 Share Purchase Warrants will amount to approximately \$1,810,000 after deducting the expenses of this offering which are estimated at \$40,000. The balance of the proceeds will be added to the consolidated working capital of the Company. The net proceeds will be used as to approximately \$4,000 to retire bank loans, as to approximately \$150,000 to develop the Company's proved undeveloped reserves in the Plato field, as to \$94,500 for the acquisition of a 50% interest in oil and gas leases on approximately 50,000 acres in North Dakota and as to approximately \$100,000 to meet present drilling commitments of the Company. Additionally, the proceeds will be used to conduct seismic evaluations of several presently owned lease blocks, to participate in the drilling of several geological prospects which have been developed by the Company, and to acquire additional proven, semi-proven and wildcat acreage on which to carry out development and exploration. Until so used the Company's funds will be invested in short term bank deposits.

DILUTION

Upon completion of this financing, the 1,995,000 shares to be outstanding will have a net tangible book value of approximately \$1.40 per share. The purchasers of the Units offered hereby will suffer a dilution in net tangible book value of approximately \$1.93 per share, assuming no value is assigned to the Share Purchase Warrants included in such Units, but without taking into account the valuation placed upon the Company's oil and gas reserves and non-producing properties by James A. Lewis Engineering Co. Ltd. referred to on pages 4 and 7 hereof.

OPTIONS

There are no options outstanding or intended to be outstanding with respect to any securities of the Company except that:

- (i) 50,000 shares of the Company have been reserved for issuance under a stock option plan for key employees of the Company. The stock option plan provides that options are to be granted, exercisable at the market price of the shares at the time the option is granted, for a period of 5 years provided the employee remains an employee of the Company. No options have been granted under the plan.
- (ii) the 300,000 Share Purchase Warrants to be sold to Gairdner & Company Limited, 200,000 of which are offered hereby, may be considered options.

AUDITORS, TRANSFER AGENT AND REGISTRAR

The Company Auditors are Collins Love Eddis Valiquette & Barrow, Chartered Accountants, 700—6th Avenue S.W., Calgary 1, Alberta.

The Transfer Agent and Registrar for the shares of the Company is The Canada Trust Company at its principal transfer offices in Vancouver, Calgary, Toronto and Montreal.

MANAGEMENT

The management of the Company is under the direction of Mr. Albert E. Whitehead, who has been President of the Company since October, 1963. Mr. Whitehead is a graduate in Business Administration from Eastern New Mexico University and for four years prior to October, 1963 was Vice-President in charge of land in Canada for Altair Oil & Gas Co. He will be assisted in the direction of the Company by Darrell R. Long, Vice-President, who received his degree in Geology in 1941 at the University of New Brunswick. Mr. Long has been engaged in oil and gas exploration in Western Canada for the past 20 years.

Officers and Directors

The names and home addresses in full of the directors and officers of the Company, the positions and offices held, and their principal occupations within the five preceding years are as follows:

<u>Name and Address</u>	<u>Office Held</u>	<u>Occupation</u>
ALBERT EDWARD WHITEHEAD, JR. 1424 Chardie Place S.W., Calgary 9, Alberta	President and Director	Executive
DARRELL ROBINSON LONG 4607-88th Avenue N.E., Calgary 72, Alberta	Vice-President, Exploration	Geologist
THOMAS MICHAEL MCGUCKIE BENDER 4719 Nordegg Crescent N.W., Calgary 47, Alberta	Treasurer	Accountant
JAMES ARTHUR MILLARD Apt. 311, 920-68th Avenue S.W., Calgary 9, Alberta	Secretary and Director	Barrister
LOUIS MARX, SR. 99 Weaver Street, Scarsdale, New York	Director	Executive
WILLIAM ANDREW CLARKE 1350 Hillhurst Road, Oakville, Ontario	Director	Investment Dealer
CHARLES FRANKLIN AGAR 5408 Riddell Court S.W., Calgary, Alberta	Director	Executive

The principal occupations of each of the directors and officers of the Company during the past five years are as follows:

Mr. Whitehead is and has been for the past five years the President and a director of the Company.

Mr. Long is Vice-President, Exploration of the Company and has held that position since July, 1969. Prior to joining the Company in May, 1969, Mr. Long was employed as a geologist with Bow Valley Exploration Ltd. and prior to that was with Whitehall Canadian Oils Ltd. and Dome Petroleum Limited.

Mr. Bender is Treasurer of the Company and has held that position since July, 1969. Prior to joining the Company in May, 1969, Mr. Bender was employed as an accountant with Whitehall Canadian Oils Ltd. and with Hudson's Bay Oil & Gas Co. Limited.

Mr. Millard is Secretary and a director of the Company and has held that position since 1963. Mr. Millard is a partner of Messrs. MacKimmie Matthews, Barristers and Solicitors, Calgary, the Company's solicitors.

Mr. Marx is and has been the President of Louis Marx & Co. for the past five years.

Mr. Clarke is a vice-president and director of Gairdner & Company Limited and has been employed by Gairdner & Company Limited for the past eight years.

Mr. Agar is a Geological engineer and has been employed with Gairdner & Company Limited since April, 1969. Prior to joining Gairdner & Company Limited he was employed with Shell Canada Limited for 17 years in various exploitation engineering capacities.

REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

The aggregate direct remuneration paid or payable by the Company to senior officers of the Company for the fiscal year ended September 30, 1968, was \$24,000 and for the period October 1, 1968, to June 30, 1969, was \$19,000. No remuneration has been paid or is payable by the Company to any of the directors, as such. No remuneration has been paid or is payable to senior officers or directors of the Company by Bridger. Legal fees have been paid and may in the future be paid by the Company to Messrs. MacKimmie Matthews, the Company's solicitors, of which Mr. J. A. Millard, one of the directors of the Company, is a partner.

The aggregate remuneration estimated to be paid by the Company to senior officers during the fiscal year beginning October 1, 1969, is \$47,000 and no remuneration is expected to be paid to any of the directors, as such. The Company does not contribute to any pension or retirement benefits for senior officers or directors of the Company except under the Canada Pension Plan.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

1. The Company has a seismic option which was entered into with Oceania Oil Ltd. ("Oceania") on April 15, 1969, with respect to P&NG Reservation No. 1491 which is located in the Chilver Lake area (Alberta). Oceania is a wholly owned subsidiary of Pan Ocean Oil Corporation ("Pan Ocean"). Pan Ocean is controlled by Louis Marx Jr., Dan W. Lufkin, Neil A. McConnell and Frederick A. Melhado. Louis Marx Jr. and Dan W. Lufkin are substantial shareholders in the Company directly, through their participation in the partnership which controls, and through direct shareholdings of, Pentagon Petroleum, Inc. Neil A. McConnell and Frederick A. Melhado are substantial shareholders of the Company through the partnership which controls, and through direct shareholdings of, Pentagon Petroleum, Inc.

2. Bridger acquired a 25% working interest in 104,960 gross acres covered by Federal Lease applications in the Bristol Bay Basin of Alaska from Pan Ocean. This acquisition was made on March 28, 1969, at the purchase price of \$5.00 per acre, \$2.50 per acre of which has been paid and the remaining \$2.50 per acre is to be paid if and when the leases are issued (see description of Pan Ocean in 1 above).

3. The Company acquired a 4.5882 percent interest in Block Q-11 (Dutch North Sea) from Pentagon Petroleum, Inc. by Agreement dated April 11, 1969. The consideration paid to Pentagon by the Company was 60,000 shares in the capital stock of the Company. Pentagon Petroleum Inc. is a major shareholder in the Company and is owned by four partners, namely, Louis Marx, Jr., Dan W. Lufkin, Neil A. McConnell and Frederick A. Melhado.

4. Mr. D. R. Long, Vice-President, Exploration of the Company, borrowed \$25,000 from the Company for which Mr. Long gave his promissory note in the same amount. Mr. Long used the \$25,000 borrowed from the Company to purchase for cash 10,000 fully paid shares in the capital of the Company at a price of \$2.50 per share. The promissory note matures on or before August 1, 1974 and is secured by the certificates representing the 10,000 shares, which certificates are held by The Canada Trust Company, as Trustee.

5. Messrs. Charles F. Agar, an employee of, and William A. Clarke, an officer and director of, Gairdner & Company Limited, as such, are interested in the Underwriting Agreement referred to under the heading "Plan of Distribution" on page 18 of this prospectus.

PRINCIPAL HOLDERS OF SHARES

The following table lists each person or company who owns of record or is known by the Company to own beneficially, directly or indirectly, more than 10% of the shares of Houston at October 15, 1969.

Name and Address	Type of Ownership	Number of Shares Owned	Percentage of Class	
			Before Underwriting	After (1) Underwriting
Pentagon Petroleum, Inc. (2) 767—5th Avenue New York, New York	Of record and beneficial	472,500	33.9%	23.7%
Albert E. Whitehead 1424 Chardie Place S.W. Calgary 9, Alberta	Of record and beneficial	340,000	24.4%	17.0%
Dan W. Lufkin (2) c/o Donaldson, Lufkin & Jenrette 140 Broadway New York, New York	Of record and beneficial	126,000	9.0%	6.3%
Louis Marx, Jr. (2) 767—5th Avenue New York, New York	Of record and beneficial	90,000	6.5%	4.5%

(1) Before the exercise of any outstanding Share Purchase Warrants or options to purchase shares.

(2) Pentagon Petroleum, Inc. is a Delaware corporation and all of its stock is beneficially owned, directly or indirectly, by four partners, namely, Louis Marx, Jr., Dan W. Lufkin, Neil A. McConnell and Frederick A. Melhado. Under securities legislation in force in certain provinces of Canada the partnership is deemed to own beneficially the shares of the Company owned by Pentagon Petroleum, Inc. In addition to shareholdings of record of Messrs. Marx and Lufkin disclosed above, Messrs. Marx and Lufkin respectively may be considered to own 69,738 shares and 45,128 shares of the Company (out of the said 472,500 shares owned of record by Pentagon Petroleum, Inc.) indirectly by virtue of their interest in the partnership or by virtue of holding shares directly in the capital of Pentagon Petroleum, Inc. Mr. McConnell, 1 Wall Street, New York, New York, who holds no shares of record, may be considered to own 258,078 shares of the Company (out of the said 472,500 shares owned of record by Pentagon Petroleum, Inc.) indirectly by virtue of his interest in the partnership or by virtue of holding shares directly in the capital of Pentagon Petroleum, Inc.

As of October 15, 1969 the directors and senior officers as a group owned of record and beneficially 25.4% of the outstanding shares of the Company. Following completion of the underwriting the directors and senior officers as a group will own 17.7% of the outstanding shares.

By agreements each dated as of December 1, 1969 Pentagon Petroleum, Inc., and Mr. A. E. Whitehead, the President of the Company, have both agreed with Gairdner & Company Limited not to sell or otherwise dispose of any shares of the Company owned or controlled by them for a period of 180 days from the date of the delivery of the 600,000 shares and 300,000 Share Purchase Warrants pursuant to the Underwriting Agreement referred to under the heading "Plan of Distribution" on page 18 of this prospectus without the prior written consent of Gairdner & Company Limited.

ESCROWED SHARES

By escrow agreements each dated as of December 1, 1969 Pentagon Petroleum, Inc. and Mr. Albert E. Whitehead, the President of the Company, have each agreed with the Company and with The Canada Trust Company, as Trustee, which agreements provide, in the case of Pentagon Petroleum, Inc. that 400,000 shares in the capital of the Company, and in the case of Mr. Whitehead, 300,000 shares in the capital of the Company, will be placed in escrow with the Trustee on or before closing of the purchase by the Underwriter pursuant to the underwriting agreement dated December 1, 1969 hereinbefore referred to. The escrow agreements provide in effect that the said 400,000 shares and the said 300,000 shares will not be released from escrow, assigned, alienated, hypothecated or otherwise disposed of without the prior written consent of the Alberta Securities Commission and of the Quebec Securities Commission.

PRIOR SALES OF SHARES

The Company has sold the following shares within the twelve months prior to the date of this prospectus.

No. of Shares	Price per Share	Date of Issue	Total Consideration Paid for Shares	Nature of Consideration
370,000	\$0.266	March 1969	\$ 98,407.62	Cash
100,000	0.263	April 1969	26,338.75	Cash
50,000	0.250	April 1969	13,500.00	Property
55,000	2.500	April 1969	137,500.00	Property
60,000	2.500	May 1969	150,000.00	Property
10,000(1)	2.500	June 1969	25,000.00	Cash
150,000	2.695	June 1969	404,179.69	Cash

- (1) The purchaser of these shares is D. R. Long, Vice-President of the Company. The Company loaned \$25,000 to Mr. Long, who was and is an employee of the Company to enable Mr. Long to purchase 10,000 fully paid shares of the Company for an aggregate cash consideration of \$25,000. Mr. Long has given the Company a Promissory Note dated August 1, 1969, maturing on or before August 1, 1974. The Note is secured by the certificates representing the 10,000 shares and the certificates are held by The Canada Trust Company, as Trustee.

MATERIAL CONTRACTS

Particulars regarding any material contract entered into by the Company within the two years preceding the date hereof, other than in the ordinary course of business, are as follows:

- (1) Underwriting Agreement referred to under the heading "Plan of Distribution" on page 18 of this prospectus.
- (2) Agreement between the Company and Erle Mathis dated April 1, 1969 whereby the Company issued 50,000 shares of its capital stock as fully paid and non-assessable for a 0.3125% overriding royalty on 50,896 acres, more or less, of lands located on the North Slope of Alaska.
- (3) Agreement between the Company and Skaha Petroleum Ltd. dated May 5, 1969 whereby the Company issued 55,000 shares of its capital stock as fully paid and non-assessable, for a 0.5% overriding royalty on 9,867,962 acres, more or less, in the Canadian Arctic.
- (4) Agreement between the Company and Pentagon Petroleum, Inc. dated April 11, 1969 whereby the Company issued 60,000 shares of its capital stock as fully paid and non-assessable for a 4.5882% interest in block Q-11 (Dutch North Sea), comprising 40,000 acres, more or less.
- (5) Agreement between the Company and Pentagon Petroleum, Inc. dated June 3, 1969 whereby the Company sold to Pentagon 150,000 fully paid and non-assessable shares for a cash consideration of \$404,179.69. Reference is made to the heading "Prior Sales of Shares" on page 22 and the heading "Interest of Management and Others in Material Transactions" on page 20.

Copies of the foregoing contracts, a copy of the Lewis Report and of the Warrant Indenture, when executed, may be inspected during ordinary business hours at the head office of the Company while the securities offered by this prospectus are in the course of primary distribution to the public and for a period of 30 days thereafter.

AUDITORS' REPORT

To the Directors,
HOUSTON OILS LIMITED.

We have examined the consolidated balance sheet and pro forma consolidated balance sheet of Houston Oils Limited and subsidiary company as at June 30, 1969 and the consolidated statements of income, retained earnings, and source and application of funds for the five years and nine months ended June 30, 1969. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion :

- (a) The accompanying consolidated balance sheet presents fairly the financial position of the company and subsidiary company as at June 30, 1969;
- (b) The accompanying pro forma consolidated balance sheet presents fairly the financial position of the company and subsidiary company as at June 30, 1969 after giving effect to the transactions set forth in Note 1;
- (c) The accompanying consolidated statements of income, retained earnings, and source and application of funds present fairly the results of operations and the source and application of funds of the company and subsidiary company for the five years and nine months ended June 30, 1969;

all in accordance with generally accepted accounting principles applied on a consistent basis.

(Signed) COLLINS LOVE EDDIS VALIQUETTE & BARROW

Calgary, Alberta.
December 1, 1969.

Chartered Accountants

CONSOLIDATED BALANCE SHEET AND I
As at

ASSETS

	Consolidated Balance Sheet	Pro forma Consolidated Balance Sheet (Note 1)
CURRENT ASSETS:		
Cash.....	\$ 151,232	\$1,847,761
Accounts receivable.	225,837	225,837
Share subscriptions receivable.....	7,000	—
Prepaid expenses.....	2,480	2,480
Total current assets.....	<u>386,549</u>	<u>2,076,078</u>
NOTE RECEIVABLE—SHAREHOLDER (Note 5).....	<u>25,000</u>	<u>25,000</u>
DRILLING AND EXPLORATION DEPOSITS.....	<u>23,145</u>	<u>23,145</u>
INVESTMENT IN AND ADVANCES TO AFFILIATED COMPANY.....	<u>8,525</u>	<u>8,525</u>
PROPERTY AND EQUIPMENT:		
Oil and gas properties—fully or partially developed—at cost.....	151,430	151,430
Less: Accumulated depletion.....	<u>38,324</u>	<u>38,324</u>
	<u>113,106</u>	<u>113,106</u>
Oil and gas properties—undeveloped—at cost.....	552,282	646,782
Mineral properties—undeveloped—at cost.....	42,537	42,537
Production and other equipment—at cost.....	88,729	88,729
Less: Accumulated depreciation.....	<u>42,940</u>	<u>42,940</u>
	<u>45,789</u>	<u>45,789</u>
	<u>753,714</u>	<u>848,214</u>
SHARE AND WARRANT ISSUE EXPENSE.....	<u>—</u>	<u>40,000</u>
OTHER ASSETS.....	<u>7,086</u>	<u>7,086</u>
	<u>\$1,204,019</u>	<u>\$3,028,048</u>

Approved on behalf of the Board of Directors:

(Signed) A. E. WHITEHEAD, Director

(Signed) J. A. MILLARD, Director

The accompanying notes are an in

IA CONSOLIDATED BALANCE SHEET

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LIABILITIES AND SHAREHOLDERS' EQUITY

	Consolidated Balance Sheet	Pro forma Consolidated Balance Sheet (Note 1)
CURRENT LIABILITIES:		
Bank indebtedness—secured	\$ 25,971	\$ —
Accounts payable and accrued charges	192,344	192,344
Unexpended drilling advances	16,812	16,812
Total current liabilities	<u>235,127</u>	<u>209,156</u>
SHAREHOLDERS' EQUITY:		
Share capital (Note 6)		
Authorized		
5,000,000 shares without nominal or par value		
Issued		
1,395,000 shares (Pro forma—1,995,000 shares)	854,941	2,704,941
RETAINED EARNINGS	113,951	113,951
	<u>968,892</u>	<u>2,818,892</u>
	<u>\$1,204,019</u>	<u>\$3,028,048</u>

HOUSTON OILS LIMITED

and subsidiary company

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

For the five years and nine months ended June 30, 1969

	Nine Months Ended June 30			Year Ended September 30			
	1968		1968				1964
	1969	(Unaudited)		1967	1966	1965	
Balance, beginning of period.....	\$ 66,637	\$ 61,813	\$ 61,813	\$ 99,464	\$ 59,281	\$ 21,311	\$ —
Net income (loss) for the year.....	47,314	8,175	4,824	(29,651)	50,183	53,970	21,311
	113,951	69,988	66,637	69,813	109,464	75,281	21,311
Less—Dividends declared and paid..	—	—	—	8,000	10,000	16,000	—
Balance, end of period.....	<u>\$113,951</u>	<u>\$ 69,988</u>	<u>\$ 66,637</u>	<u>\$ 61,813</u>	<u>\$ 99,464</u>	<u>\$ 59,281</u>	<u>\$ 21,311</u>

The accompanying notes are an integral part of this financial statement.

CONSOLIDATED STATEMENT OF INCOME

For the five years and nine months ended June 30, 1969

	Nine Months Ended June 30			Year Ended September 30			
	1968		1968				1964
	1969	(Unaudited)		1967	1966	1965	
Revenues							
Exploratory ventures and lease sales	\$126,444	\$ 58,329	\$ 81,109	\$ 77,049	\$122,566	\$177,351	\$ 86,300
Oil production (net).....	38,820	16,887	26,697	32,794	31,097	27,980	2,050
Profit on sale of producing properties.....	—	39,034	39,034	—	—	—	—
Other.....	45,873	12,154	18,910	12,907	19,900	9,376	—
	<u>211,137</u>	<u>126,404</u>	<u>165,750</u>	<u>122,750</u>	<u>173,563</u>	<u>214,707</u>	<u>88,350</u>
Expenses							
Cost of exploratory ventures and lease sales.....	70,242	46,917	67,065	48,017	39,117	98,052	51,626
Unproductive development and property abandoned.....	14,148	7,107	7,480	15,518	6,373	4,636	1,354
Lease rentals.....	5,757	1,703	2,174	3,431	5,869	2,561	463
General and administrative expenses (net).....	55,066	42,220	57,626	57,317	52,223	43,523	11,509
Depletion.....	2,632	7,086	9,448	12,414	8,457	6,785	329
Depreciation.....	13,309	9,238	11,991	12,186	7,257	4,103	1,517
Interest.....	2,669	3,030	4,824	3,518	1,850	1,077	241
	<u>163,823</u>	<u>117,301</u>	<u>160,608</u>	<u>152,401</u>	<u>121,146</u>	<u>160,737</u>	<u>67,039</u>
Net income (loss) before income taxes	47,314	9,103	5,142	(29,651)	52,417	53,970	21,311
Income taxes — Note 4.....	—	928	318	—	2,234	—	—
Net income (loss) for the period....	<u>\$ 47,314</u>	<u>\$ 8,175</u>	<u>\$ 4,824</u>	<u>\$ (29,651)</u>	<u>\$ 50,183</u>	<u>\$ 53,970</u>	<u>\$ 21,311</u>

The accompanying notes are an integral part of this financial statement.

HOUSTON OILS LIMITED

and subsidiary company

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the five years and nine months ended June 30, 1969

	Nine Months Ended June 30		1968	Year Ended September 30			
	1969	1968 (Unaudited)		1967	1966	1965	1964
Funds provided							
Net income (loss) for the period . .	\$ 47,314	\$ 8,175	\$ 4,824	\$(29,651)	\$ 50,183	\$ 53,970	\$ 21,311
Add—Expenses not requiring an outlay of funds							
Depreciation.....	13,309	9,238	11,991	12,186	7,257	4,103	1,517
Depletion.....	2,632	7,086	9,448	12,414	8,457	6,785	329
Other.....	1,326	—	—	—	50	—	—
Total funds provided from operations.....	64,581	24,499	26,263	(5,051)	65,947	64,858	23,157
Share capital issued.....	854,926	—	—	—	—	—	—
Miscellaneous.....	1,554	—	—	—	—	—	—
Total funds provided.....	921,061	24,499	26,263	(5,051)	65,947	64,858	23,157
Funds applied							
Acquisition (disposal) of producing and non-producing properties (net).....	623,921	(14,350)	(10,545)	10,134	29,263	69,366	25,849
Acquisition of fixed assets (net)...	33,242	2,693	1,651	17,373	10,641	25,659	7,587
Dividends paid.....	—	—	—	8,000	10,000	16,000	—
Repayment of advances to (advances from) shareholders...	—	4,532	4,621	2,319	5,060	(12,000)	—
Drilling deposits advanced (refunded).....	3,845	(650)	9,350	5,650	(4,113)	6,083	4,650
Miscellaneous.....	6,806	260	350	—	(100)	350	—
Total funds applied.....	667,814	(7,515)	5,427	43,476	50,751	105,458	38,086
Increase (decrease) in working capital	\$253,247	\$ 32,014	\$ 20,836	\$(48,527)	\$ 15,196	\$(40,600)	\$(14,929)

The accompanying notes are an integral part of this financial statement.

HOUSTON OILS LIMITED
and subsidiary company

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 1969

1. PRO FORMA CONSOLIDATED BALANCE SHEET

The pro forma consolidated balance sheet gives effect, at June 30, 1969, to the following transactions:

- (a) The issue and sale of 600,000 shares and 300,000 share purchase warrants for an aggregate of \$1,850,000. Each share purchase warrant carries the right to purchase one share of the company at \$3.50 per share until December 15, 1972.
- (b) The payment of estimated share and warrant issue expenses of \$40,000.
- (c) The collection of share subscriptions receivable in the amount of \$7,000.
- (d) The repayment of bank indebtedness of \$25,971.
- (e) Subsequent to June 30, 1969 the acquisition of a 50% interest in oil and gas leases on approximately 50,000 acres in North Dakota for \$94,500.
- (f) The addition to cash of \$1,696,529.

2. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the company and its wholly owned subsidiary, Bridger Petroleum Corporation, a United States corporation. The consolidated statement of income includes the subsidiary's operating results from the commencement of its business on December 11, 1968 to June 30, 1969.

The accounts of the subsidiary have been converted to Canadian dollars on the following basis:
Current assets and current liabilities at the rate of exchange in effect at June 30, 1969.

Other assets and liabilities at the rate of exchange in effect at the date of the transaction.

Income and expenses at the average rate of exchange for the year.

The net exchange difference, which is not material in amount, is carried in the consolidated balance sheet under the caption "other assets".

3. ACCOUNTING PRACTICES

The company follows the practice of capitalizing all lease acquisition costs and exploration costs. If the lease is subsequently surrendered the accumulated costs are charged to income at the time of surrender. The costs of drilling unproductive wells are charged to income when the prospect area is abandoned. Lease acquisition costs and exploration costs of producing wells are amortized on the unit of production method based on estimated recoverable reserves of oil and gas. Depreciation of production and other equipment is provided on a straight line basis at rates designed to amortize their costs over their estimated useful lives.

4. INCOME TAXES

Under the provisions of the Canadian and United States Income Tax Acts the companies are entitled to claim and have claimed intangible exploration and development expenses which exceed the amounts written off as an expense in the accounts. As at June 30, 1969 the companies had incurred approximately \$558,000 of intangible exploration and development expenses which had not been claimed for tax purposes and which are available for carry forward against taxable income of future years.

The company is of the opinion that the "tax allocation" basis of recording income taxes relating to timing differences in claiming intangible exploration and development expenses as advocated by some accounting authorities is not appropriate for companies in the oil and gas industry. This view conforms with general practice in the oil and gas industry.

Had the company used the "tax allocation" basis with respect to intangible exploration and development expenses the following amounts would have been provided as deferred income taxes:

Year ended September 30, 1964.....	\$10,340
Year ended September 30, 1965.....	24,462
Year ended September 30, 1966.....	19,652
Year ended September 30, 1967.....	(14,385)
Year ended September 30, 1968.....	3,249
9 months ended June 30, 1968.....	2,528
9 months ended June 30, 1969.....	31,600
Cumulative total to June 30, 1969.....	\$74,918

It is the policy of the company to provide for deferred income taxes with respect to timing differences relating to tangible assets. However, during the period October 1, 1963 to June 30, 1969 there were no material timing differences of this nature and thus no deferred income taxes have been provided in this respect.

5. NOTE RECEIVABLE—SHAREHOLDER

The company loaned \$25,000 to Mr. D. R. Long, an employee who is an officer of the company, for the purchase of fully paid shares in the capital of the company. The loan is evidenced by a promissory note payable on or before August 1, 1974 and is secured by the certificates representing the 10,000 shares purchased, which certificates are deposited with The Canada Trust Company, as Trustee.

6. SHARE CAPITAL

- (a) On January 27, 1969 the authorized capital of the company was changed from 20,000 shares with a par value of \$1 each to 5,000,000 shares without nominal or par value which may be issued for an aggregate consideration not exceeding \$5,000,000 and the 15 shares with a par value of \$1 each then outstanding were converted into 600,000 shares without nominal or par value.
- (b) Between March 15, 1969 and June 30, 1969, 630,000 shares were issued for a cash consideration of \$553,926.
- (c) Between April 15, 1969 and June 30, 1969, 165,000 shares with a stated value of \$301,000 were issued for properties.
- (d) 300,000 shares will be reserved for the exercise of the share purchase warrants referred to in Note 1(a) and a further 50,000 shares will be reserved for issuance under a stock option plan for key employees of the company.

7. COMMITMENT AND CONTINGENCIES

The company holds a number of exploratory oil and gas permits covering acreage in the McClure Strait and Newfoundland East areas. The terms of these permits require the company to expend a total of \$71,080 in exploratory work before July, 1972. Of this sum, \$38,274 is recoverable from other parties. Subsequent to June 30, 1969 the company acquired exploratory oil and gas permits in the Lancaster Sound area. No cash outlay was required to effect this transaction but the expenditure of \$33,184 for exploratory work is required prior to December 1, 1972.

The company is a joint guarantor of a letter of credit in the approximate amount of \$40,000 issued to the Petroleum Administration of the Turkish Government covering work performance and damage indemnification.

The subsidiary is obligated to pay the amount of \$70,848 in connection with certain lease applications in Alaska if and when the relevant leases are issued.

PURCHASERS' STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

The attention of purchasers in the Provinces of Alberta, Saskatchewan, Manitoba and Ontario of any of the securities offered by this prospectus which are offered in such Provinces is drawn to certain statutory provisions which permit such purchasers in certain events and subject to certain conditions

- (a) to withdraw from any agreement of purchase if written or telegraphic notice evidencing the intention of the purchaser not to be bound by the agreement of purchase is received by the vendor or his agent not later than midnight on the second business day after the final prospectus or an amended final prospectus is received or deemed to be received by the purchaser or his agent; and
- (b) to rescind the agreement of purchase of such security while still the owner thereof by institution of legal proceedings within ninety days from the date of receipt or deemed receipt of the final prospectus or an amended final prospectus by the purchaser or his agent or the date of the agreement of purchase, whichever is later, if such prospectus or amended prospectus, as of the date of receipt or deemed receipt, contains an untrue statement of a material fact or omits to state a material fact necessary in order to make any statement contained therein not misleading in the light of the circumstances in which it was made.

The full text of such provisions is contained in Sections 63 and 64 of The Securities Act, 1967 (Alberta), of The Securities Act, 1968 (Manitoba) and of The Securities Act, 1966 (Ontario) and in Sections 70 and 71 of The Securities Act, 1967 (Saskatchewan).

The attention of purchasers in the Province of British Columbia of any of the securities offered by this prospectus which are offered in such Province is drawn to Sections 61 and 62 of the Securities Act, 1967 (British Columbia) which provide in effect that, where a security is offered to the public in the course of primary distribution,

- (a) a purchaser has the right to rescind a contract for the purchase of a security, while still the owner thereof, if a copy of the last prospectus, together with financial statements and reports, as filed with the British Columbia Securities Commission, was not delivered to him or his agent prior to delivery to either of them of the written confirmation of the sale of the securities. Written notice of intention to commence an action for rescission must be served on the person who contracted to sell within sixty days of the date of delivery of the written confirmation, but no action shall be commenced after the expiration of three months from the date of service of such notice; and
- (b) a purchaser has the right to rescind the agreement of purchase, while still the owner of the security, by institution of legal proceedings within ninety days from the date of receipt or deemed receipt of the final prospectus or an amended final prospectus by the purchaser or his agent or the date of the agreement of purchase, whichever is later, if such prospectus or amended prospectus, as of the date of receipt or deemed receipt, contains an untrue statement of a material fact or omits to state a material fact necessary in order to make any statement contained therein not misleading in the light of the circumstances in which it was made.

Reference is made to the last mentioned Act for the complete text of the provisions under which the foregoing rights are conferred.

CERTIFICATE OF THE COMPANY

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part VII of The Securities Act, 1967 (British Columbia) and the regulations thereunder, by Part 7 of The Securities Act, 1967 (Alberta) and the regulations thereunder, by Part VIII of The Securities Act, 1967 (Saskatchewan) and the regulations thereunder, by Part VII of The Securities Act, 1968 (Manitoba) and the regulations thereunder, by Part VII of The Securities Act, 1966 (Ontario) and the regulations thereunder, under the Securities Act (Quebec), and by Section 13 of The Securities Act (New Brunswick).

Dated: December 1, 1969.

(Signed) A. E. WHITEHEAD, President,
Chief Executive Officer

(Signed) T. M. M. BENDER, Treasurer,
Chief Financial Officer

On behalf of the Board of Directors by:

(Signed) LOUIS MARX, Director

(Signed) J. A. MILLARD, Director

Directors

(Signed) A. E. WHITEHEAD

(Signed) C. F. AGAR

(Signed) J. A. MILLARD

(Signed) W. A. CLARKE

} By his agent
(Signed)
A. E. WHITEHEAD

(Signed) LOUIS MARX

CERTIFICATE OF UNDERWRITER

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part VII of The Securities Act, 1967 (British Columbia) and the regulations thereunder, by Part 7 of The Securities Act, 1967 (Alberta) and the regulations thereunder, by Part VIII of The Securities Act, 1967 (Saskatchewan) and the regulations thereunder, by Part VIII of The Securities Act, 1968 (Manitoba) and the regulations thereunder, by Part VII of The Securities Act, 1966 (Ontario) and the regulations thereunder, under the Securities Act (Quebec), and by Section 13 of The Securities Act (New Brunswick).

GAIRDNER & COMPANY LIMITED

By: (Signed) E. A. LOVEFACE

The following are the names of every person having an interest either directly or indirectly, to the extent of not less than 5% in the capital of Gairdner & Company Limited: J. S. Gairdner, J. H. Hawke, G. C. Watt, J. H. Brown, E. A. Scott, W. A. Clarke, F. J. McDonald, J. V. Hooper, M. R. Toombs and R. H. Smith.

FINANCIAL STATEMENTS

Statement I

HOUSTON OILS LIMITED AND SUBSIDIARY COMPANY CONSOLIDATED BALANCE SHEET As at September 30, 1969 and 1968

ASSETS

	1969	1968
Current assets		
Cash	\$ 7,180	\$ 33,190
Accounts receivable	231,479	59,525
Prepaid expenses	14,427	4,542
Total current assets	253,086	97,257
Note receivable — shareholder (Note 3)	25,000	—
Drilling and exploration deposits	28,500	21,620
Investments in and advances to affiliated company	13,500	—
Property and equipment—at cost		
Oil and gas properties — fully or partially developed	257,084	102,257
Less: Accumulated depletion	41,023	35,692
	216,061	66,565
Oil and gas properties — undeveloped	685,314	20,069
Mineral properties — undeveloped	44,997	—
	730,311	20,069
Production and other equipment	94,720	55,487
Less: Accumulated depreciation	48,277	29,630
	46,443	25,857
Total property and equipment	992,815	112,491
Other assets	4,495	865
	<u>\$1,317,396</u>	<u>\$232,233</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

	1969	1968
Current liabilities		
Bank indebtedness — secured	\$ 5,756	\$ 41,823
Accounts payable and accrued charges	242,764	74,899
Long-term debt — portion due within one year	43,672	48,859
Total current liabilities	292,192	165,581
Long-term debt		
Lease purchase agreement — 5½ %	94,062	—
Less: Portion due within one year	43,672	—
	50,390	—
Shareholders' equity		
Share capital (Notes 4 and 6)		
Authorized		
5,000,000 without nominal or par value		
Issued		
1,395,000 shares (1968 — 15 shares)	854,941	15
Retained earnings — Statement II	119,873	66,637
	974,814	66,652
Commitments (Note 7)		
	<u>\$1,317,396</u>	<u>\$232,233</u>

Approved on behalf of the Board of Directors

“A. E. WHITEHEAD”, Director.

“J. A. MILLARD”, Director

The accompanying notes are an integral part of these financial statements.

This is the balance sheet referred to in the accompanying auditors' report of Collins Love Eddis Valiquette & Barrow, Chartered Accountants, dated December 10, 1969.

HOUSTON OILS LIMITED
AND SUBSIDIARY COMPANY

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS
For the years ended September 30, 1969 and 1968

	1969	1968
Revenues		
Exploratory ventures and lease sales	\$152,344	\$ 81,109
Oil productions (net)	56,062	26,697
Profit on sale of producing properties	—	39,034
Other	60,759	18,910
	<u>269,165</u>	<u>165,750</u>
Expenses		
Cost of exploratory ventures and lease sales	58,967	48,665
Unproductive development and property abandoned	38,037	25,880
Lease rentals	6,401	2,174
General and administrative expenses (net)	85,537	57,626
Depletion	5,331	9,448
Depreciation	18,647	11,991
Interest	3,009	4,824
	<u>215,929</u>	<u>160,608</u>
Net income before income taxes	53,236	5,142
Income taxes (Note 5)	—	318
Net income for the year	53,236	4,824
Retained earnings — beginning of year	66,637	61,813
Retained earnings — end of year	<u>\$119,873</u>	<u>\$ 66,637</u>

Statement III

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS
For the years ended September 30, 1969 and 1968

	1969	1968
Funds provided		
Net income for the year	\$ 53,236	\$ 4,824
Add: Expenses not requiring outlay of funds		
Depreciation	18,647	11,991
Depletion	5,331	9,448
Other	1,326	—
Total funds provided from operations	78,540	26,263
Long-term debt	50,390	—
Share capital issued	854,926	—
Other	5,854	—
Total funds provided	<u>989,710</u>	<u>26,263</u>
Funds applied		
Acquisition (disposal) of properties (net)	865,069	(10,545)
Acquisition of fixed assets (net)	39,233	1,651
Repayment of advances from shareholders	—	4,621
Investments in and advances to subsidiary company	13,500	—
Note receivable	25,000	—
Drilling deposits advanced	13,500	9,350
Miscellaneous	4,190	350
Total funds applied	<u>960,492</u>	<u>5,427</u>
Increase in working capital	<u>\$ 29,218</u>	<u>\$20,836</u>

AUDITORS' REPORT

The Shareholders
Houston Oils Limited

We have examined the consolidated balance sheet of Houston Oils Limited and its subsidiary company as at September 30, 1969, and the consolidated statements of income, retained earnings and source and application of funds for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at September 30, 1969, and the results of their operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Calgary, Alberta
December 10, 1969

COLLINS LOVE EDDIS VALIQUETTE & BARROW
Chartered Accountants

HOUSTON OILS LIMITED AND SUBSIDIARY COMPANY

NOTES TO CONSOLIDATED FINANCIAL POSITION For the years ended September 30, 1969 and 1968

NOTE 1: Accounting Practices

The Company follows the practice of capitalizing all lease acquisition costs and exploration costs. If the lease is subsequently surrendered the accumulated costs are charged to income at the time of surrender. The costs of drilling unproductive wells are charged to income when the prospect area is abandoned. Lease acquisition costs and exploration costs of the producing prospect areas are amortized on the unit of production method based on estimated recoverable reserves of oil and gas. Depreciation of production and other equipment is provided on a straight line basis at rates designed to amortize their costs over their estimated useful lives.

NOTE 2: Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Bridger Petroleum Corporation, a United States corporation. The consolidated statement of income includes the subsidiary's operating results from the commencement of its business on December 11, 1968, to September 30, 1969.

The accounts of the subsidiary have been converted to Canadian dollars on the following basis:

Current assets and current liabilities at the rate of exchange in effect at September 30, 1969.

Other assets and liabilities at the rate of exchange in effect at the date of the transaction.

Income and expenses at the average rate of exchange for the year.

The net exchange difference, which is not material in amount, is carried in the balance sheet under the caption "Other assets".

NOTE 3: Note Receivable — Shareholder

The Company loaned \$25,000 to Mr. D. R. Long, an employee, who is an officer of the Company, for the purchase of fully paid shares in the capital of the Company. The loan is evidenced by a promissory note payable on or before August 1, 1974, and is secured by the certificates representing the 10,000 shares purchased, which certificates are deposited with The Canada Trust Company, as Trustee.

NOTE 4: Share Capital

- (a) On January 27, 1969, the authorized capital of the Company was changed from 20,000 shares with a par value of \$1 each to 5,000,000 shares without nominal or par value which may be issued for an aggregate consideration not exceeding \$5,000,000, and the 15 shares with a par value of \$1 each then outstanding were converted into 600,000 shares without nominal or par value.
- (b) Between March 15, 1969, and September 30, 1969, 630,000 shares were issued for a cash consideration of \$553,926.
- (c) Between April 15, 1969, and September 30, 1969, 165,000 shares with a stated value of \$301,000 were issued for properties.

NOTE 5: Income Taxes

Under the provision of the Canadian and United States Income Tax Acts the companies are entitled to claim and have claimed intangible exploration and development expenses which exceed the amounts written off as an expense in the accounts. As at September 30, 1969, the Company has incurred \$802,863 of intangible exploration and development expenses which have not been claimed for tax purposes and which are available for carry forward against taxable income of future years.

The Company is of the opinion that the "Tax Allocation" basis of recording income taxes relating to timing differences in claiming intangible exploration and development expenses as advocated by some accounting authorities is not appropriate for companies in the oil and gas industry. This view conforms with general practice in the oil and gas industry.

Had the Company used the "Tax Allocation" basis with respect to intangible exploration and development expenses, the results of its operations for the year ended September 30, 1969, would have been:

Net income — Statement II	\$53,236
Less: Income taxes — deferred	28,436
Net income for the year	<u>\$24,800</u>

On a cumulative basis to September 30, 1969, deferred income taxes would have been \$71,754.

It is the policy of the Company to provide for deferred income taxes with respect to timing differences relating to tangible assets. However, as at September 30, 1969, there were no material differences of this nature and thus no deferred income taxes have been provided in this respect.

NOTE 6: Subsequent Events

- (a) On October 23, 1969, the Directors gave approval to the issuance and sale of 600,000 shares and 300,000 share purchase warrants for an aggregate consideration of \$1,850,000.
- (b) Each warrant carries the right to purchase one share of the Company at \$3.50 for a period of three years from the date of issue of the warrant.
- (c) 300,000 shares will be reserved for the exercise of the share purchase warrants.
- (d) On October 23, 1969, the Directors gave their approval to reserve 50,000 shares of the Company for issuance under a stock option plan for key employees of the Company.

NOTE 7: Commitment and Contingencies

- (a) The Company holds a number of Federal petroleum and natural gas exploratory permits covering acreage in the Arctic and East Coast areas. The terms of these permits require the Company to expend a net total of \$78,748 in exploratory work before December, 1972.
- (b) As security for this work commitment the Company has issued non-interest bearing promissory notes in this sum to the Government of Canada.
- (c) The Company is a joint guarantor of a letter of credit in the approximate amount of \$40,000 issued to the Petroleum Administration of the Turkish Government covering work performance and damage indemnifications.
- (d) The subsidiary is obligated to pay the amount of \$70,848 in connection with certain lease applications in Alaska if and when the relevant leases are issued.

